

The University of Chicago

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ROUTINE BUSINESS TO
GENERAL STAFF

A PART OF A DISSERTATION SUBMITTED TO
THE FACULTY OF THE DIVISION OF THE SOCIAL
SCIENCES IN CANDIDACY FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY

DEPARTMENT OF POLITICAL SCIENCE
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The Budget Bureau: From Routine Business to General Staff

By NORMAN M. PEARSON

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THE national budget, during the twenty-two years since its creation in the Budget and Accounting Act of 1921, has been a good reflector of the responsibilities undertaken by the federal government and an instrument for effectuating those responsibilities. The policies governing the role of government and the sense in which the budget has been used as an instrument, however, have been in transition. For the first twelve years under the new budget system prevalent attitudes dictated a restricted responsibility of the federal government in the social and economic affairs of the nation; consequently, the content of the budget was relatively small, and much attention was devoted to making certain that the costs of this relatively small budget did not exceed the revenues of the federal government. The budget itself was viewed administratively primarily as an instrument for securing efficient execution of auxiliary or business services. Since 1933 the responsibilities of the government have been expanded and since 1938 the budget has been further developed into a broader instrument of management for the execution of federal programs, as well as for the supervision of business services.

In the last ten years, the federal government has come to be conceived generally not only as a service enterprise for the care and protection of individuals but also as a regulator of the business cycle in such fashion as to minimize the impacts of its fluctuations upon the national economy. The initiation of social security programs, work relief programs, and agricultural stabiliza-

tion programs has focused attention upon the large size and complex content of the federal budget and the methods of financing the programs. The President, as political leader and chief executive, has used the budget as a broad "device for consolidating the various interests, objectives, desires and needs of all our citizens into a program whereby they may jointly provide for their safety, convenience, and welfare."

The national budget as an administrative tool has also been in transition. The Director of the Budget and his organization have been the primary participants in this administrative phase of federal budgeting. In its changing role in the administration of the budget, the Budget Bureau has not been subjected to much publicity; consequently, its activities have constituted somewhat of a mystery to students of administration, to members of Congress, and even to officials of the departments and establishments. Although top officials of the latter have had continuous experience with the Budget Bureau as an organization, many bureaus have had only brief annual formal hearings before the budget examiners, and their field organizations know of the Budget Bureau largely from hearsay or from an occasional visit from a Budget Bureau examiner on a field inspection tour.

It would, therefore, appear useful to analyze the Budget Bureau as a unit in federal budgetary administration, using as a perspective the period since its inception in 1921. A study of the trends may yield an understanding of the present role and the potentialities of this organization. Before

undertaking this analysis, however, it is important first to point out briefly the different aspects of budgeting in relation to the activities of the Budget Bureau.

Changing Emphasis in Federal Budgetary Administration. During the history of the Budget Bureau a number of activities have been identified or associated with federal budgeting. Weighing heavily upon federal budgeting to this day has been the great emphasis placed upon accounting, budget *mechanics* and the fiscal system, due largely to the views of the early reformers such as Frederick A. Cleveland, Charles W. Collins, and W. F. Willoughby, and their followers, such as A. E. Buck, J. W. Sundelson, and D. T. Selko. More recently, these activities have been called "surface aspects" by the present Director of the Budget and "mechanical foundation" by V. O. Key. Second, procurement and the supervision of auxiliary services have been associated with the budget function.¹ Another group of activities is comprised in the continuous appraisal of estimates and expenditures in the "budget review process" from the point of view of (1) the evaluation of programs and of estimates for their support; (2) the coordination of programs and of their administration; and (3) the use of the budget as an administrative tool for defining objectives, building up work projects, determining specific financial requirements, supervising expenditures, and checking performance. A fourth group involves the review of reports on proposed legislation and the initiation and review of proposed reorganizations. Finally, the organization and coordination of over-all financial planning have recently been receiving attention by the Budget Bureau through a reenforced fiscal division.²

In all these activities carried out by federal budget offices under the broad name of budgeting, the most fundamental adminis-

trative purposes are those of the evaluation of programs and coordination, which are both achieved by the proper use of the budget as a tool of administrative management. In fact, the value of budgeting in such an administrative role constitutes the basis for its being considered as a general staff function rather than simply as an auxiliary service. Essential adjuncts of federal budgeting are the review of legislative proposals and administrative planning. None of the other phases frequently associated with budgeting, including accounting, auditing, and procurement, involve questions as to what programs should be undertaken or how much money should be spent on them. They involve, rather, the auxiliary service to be rendered the organization in carrying out programs decided upon in the budget review process. In order to see more specifically what the changing role of the Budget Bureau has been, it is important to examine, first, the authorities under which it has operated and, second, the types of action it has taken pursuant to those authorities.

Delegations of Authority from the President. In administration, the number of levels of authority and the types of delegations necessitated thereby are of great importance. Yet few students of administration, in developing their concepts of organization, have treated specifically the multiplication of levels of authority resulting from factors of size and complexity. It would seem that even to a casual observer the application of organizational principles to the role of a city manager in a city of 50,000 population would be somewhat different from the application of the same principles to the role of the President of the United States. The "span of control" principle applied to larger organizations necessitates a great many more levels of authority and hence greater problems of delegation, supervision, and coordination.

In an organization as vast and complex as the federal government so many levels of authority occur that several types of delegation of authority must be used. The most inti-

¹ W. F. Willoughby, *The National Budget System* (Baltimore, 1927), pp. 224-240; J. M. Pfiffner, *Public Administration* (New York, 1935), pp. 274-275, 281-285.

² Arthur N. Holcombe, "Over-all Financial Planning through the Bureau of the Budget," *Public Administration Review* 225-230 (1941).

mate, personal, and informal sort of delegation is made by the President to his immediate aides in the White House Office of the Executive Office of the President. These aides are usually purely advisory to the President and do not act in the lines of authority and responsibility from the President to the departments and establishments. The second sort of delegation is made to the one purely advisory staff agency within the Executive Office—namely, the National Resources Planning Board. Its authority is more formal and its advice to the President is less immediate and personal, being based usually upon long-range studies. A third sort of delegation of authority is made to the Budget Bureau, which is also within the Executive Office. The authority of the Budget Bureau is of a "general staff" nature in that it helps supervise and coordinate all departments and functions of government, and while acting as an agent for the President it makes many decisions on administrative problems which in practice it is not possible for the President to review in detail, and it administers certain powers assigned to it by Congress over certain types of decisions by the various operating departments. A fourth type of delegation of authority is made by the President to the federal agencies for the execution of particular programs within broad fields of government action. Such authority involves the only sort of delegation generally recognized by students of administration and is clearly along the lines of authority and responsibility from the President. It is not coordinative and supervisory except within the program assigned by the President.

With the vast increase in the size of the federal government during the last ten years, the Bureau of the Budget has assumed much of the responsibility for the supervision and coordination of the work of federal agencies. Its authorities, as will be seen, are often general and informal. Moreover, the administrative theories in connection with the delegations have varied from time to time.

General and Basic Delegation to the Bureau of the Budget. The fundamental authorizations for delegations of authority to the Director of the Budget are contained in the Budget and Accounting Act of 1921, Title II. The Bureau of the Budget itself was created by Section 207, which also authorized the President to appoint a director and an assistant director without the usual advice and consent of the Senate. All the authorities in Title II, however, are conferred upon the President, who from that time on was to be responsible for the formulation, presentation, and execution of the Budget of the United States. The Director acts only "under such rules and regulations as the President may prescribe" (Sections 207, 208, 213, and 216) or "when directed by the President" (Section 207).

Nothing in the Budget and Accounting Act specified that delegations from the President to the Director of the Budget are to be formal—that is, by letter or executive order. As a matter of fact, no regulations have ever been issued by the President pursuant to any of the above sections, and only two executive orders (Nos. 3550 and 3578) have formally delegated authorities from the President to the Director of the Budget. As a consequence, the actions of the Director have been based largely upon the informal understandings between him and the President and upon the implied authority of the Budget and Accounting Act. The fact that most circulars are issued by the Director of the Budget "by direction of the President" does not clarify the formal relations between the President and the Director. The Bureau has a number of other authorities with respect to printing and statistics which will not be discussed in this statement. Title II, Section 2 of Executive Order No. 8248, September 8, 1939, summarizes broadly all the functions and duties of the Budget Bureau, but it is not considered among the basic authorities; in the statement furnished by Director Smith for the *U. S. Government Manual* (Fall, 1942) it is recorded rather as a summary of the activities of the Bureau.

Advisory Role

To the President. The Budget and Accounting Act describes the Budget Bureau as an agency authorized to prepare the national budget for the President, the implication being that the Director of the Budget would advise the President generally with respect to all budgetary matters. Although the advisory function is not mentioned explicitly in the Act, the first director, Charles G. Dawes, held that advice was his sole function and that his advice was restricted to matters of "business administration." This view is stated clearly in the Budget Bureau Circular No. 1, June 29, 1921, as the second of Dawes's four "basic principles of budget operation":

The Director of the Budget, as a matter of governmental business administration, has no responsibility under the law, save for the administration of his own bureau. He is simply an advisor of the President and Congress in the matter of correcting business administration.

Later developments have shown that the Director, in his relation to the President, advises him on budgetary matters broader than "business administration" or housekeeping services and that, moreover, advice is not his sole function. The present director, Harold D. Smith, conceives the role of the Bureau of the Budget "... to serve as agent of the President in his job of management and to help execute whatever program or policy the Administration may have undertaken."¹ An "agent" connotes delegated authority and means something more than "advisor." Similarly, the scope of activity includes program and policy execution as well as "business administration." Director Smith also takes care to emphasize that the *making* of policy is the responsibility of Congress and the President; the Budget Bureau merely aids in the execution of policies agreed upon by them. Holcombe, in the article cited above, indicates a policy role for the Bureau

in over-all financial planning which Director Smith perhaps would not admit.

To Congress. Section 212 of the Budget and Accounting Act provides:

The Bureau [of the Budget] shall, at the request of any Committee of either House of Congress having jurisdiction over revenue or appropriations, furnish the committee such aid and information as it may request.

It is at once apparent from the organization of the Bureau of the Budget as well as from this language that it was not meant to be an advisory agency to Congress in the same manner in which it advises the President. Congress does not have as direct control over the Budget Bureau as it does over the General Accounting Office, also authorized in the Budget and Accounting Act. Furthermore, the initiative must come from Congress in requesting aid and information. Congress, moreover, is not restricted to information from the Budget Bureau; it may obtain as much as it desires from the departments and establishments. Similarly, there is no restriction upon the departments and establishments in the submission of information to Congress, as there is in the submission of estimates (Section 206) and legislative proposals (Budget Bureau Circular No. 390). It is important to note also that both the revenue and appropriation committees are included. Dawes early made it clear, however, that the Budget Bureau was advisory to Congress only on matters of routine business, and that the Bureau was to be "impartial, impersonal, and non-political." Though Dawes urged the fullest cooperation, it seems to be generally agreed that during its first sixteen years the Budget Bureau furnished very little aid or information to Congress. To date the tax committees of Congress have received their principal aid from the staff of the Congressional Joint Committee on Internal Revenue Taxation and from the Treasury Department. Until recently the Budget Bureau provided very little aid and information to the appropriation committees of Congress; they have de-

¹ Harold D. Smith, "The Role of the Bureau of the Budget in Federal Administration," address given at a joint meeting of the American Political Science Association and the American Society for Public Administration, December 28, 1939, p. 4.

pended upon the departments and establishments for information on particular programs, and on government-wide programs they have relied largely on their own judgments. Since the Budget Bureau has strengthened its staff, however, Congress has sought and received advisory reports on certain auxiliary services, such as long-distance telephoning and telegraphing, cost of personnel work, press, radio, exhibits, and motion pictures, as well as on the evaluation of federal programs on a government-wide basis.

To the Departments. The Bureau of the Budget is advisory to the departments and establishments only in the secondary sense of informing them as to the President's policy. In the early 1920's this information was limited to matters of "routine business," and the Director of the Budget, the coordinating boards, and the departmental budget officers served as the operating connecting links between the President and his cabinet heads on such matters. More recently, information on presidential program policy, as well as on housekeeping matters, has been transmitted to the departments. Because of the vast expansion in the extent of federal activities, departmental representatives rarely, if ever, see the Director of the Budget, much less the President. Their negotiations are with the chief budget analysts and the principal budget analysts of the Division of Estimates. Obviously, the "advice" rendered is not the presentation of recommended alternative actions as is the advice to the President.

General Staff Role

WITH respect to the President the Director of the Budget does more than advise. With the aid of his Bureau he applies the broad policies approved by the President; he makes decisions with respect to the substance of programs pursuant to the broader policies; and he plays an important role in evaluating and initiating broad alternative policies and in presenting them to the President for decision. The two primary administra-

tive channels in which these decisions are made are the review of the proposed work programs in budget estimates and the supervision of expenditures through the establishment of apportionments and reserves. Insofar as the Budget Bureau makes decisions that in practice cannot be reviewed personally by the President, it participates in a direct line of authority and responsibility from the President to operating units. This line of authority and responsibility is different from that which runs from the President to the operating units through the heads of departments and agencies, but it is distinct enough to make the Bureau more than a "staff agency" in the sense in which the term "staff" is used by Gulick or White.¹ In order to determine the types of decisions made, the trends in administrative actions by the Bureau of the Budget on the departmental requests for funds and in apportionments and general reserves are next reviewed.

Review of Department Requests for Funds. At the outset it should be noted that decisions with respect to budget estimates have several different aspects: (1) justifications for the program, (2) accuracy of the estimates, and (3) over-all sufficiency of funds. Justification for the program from the point of view of the executive branch involves, first, the question as to whether Congress has authorized it and the extent of the authorization. The legislation may leave more or less room for interpretation. Next, will the proposed program achieve the objectives authorized by Congress? Where the legislation is quite broad there is considerable leeway for the evaluation of alternative proposals. If the justification or merit of the program has been agreed upon and approved, the question as to the accuracy of the estimate arises. The precision of the estimates depends upon (a) accurate work load standards, that is, how much manpower and

¹ L. Gulick, "The Theory of Organization," in *Papers on the Science of Administration* (New York, 1937), p. 31; L. D. White, *Introduction to Public Administration* (New York, 1939), pp. 63-65.

materials are necessary to accomplish a given unit of work, both for auxiliary services and for achieving the program objective, and (b) an accurate forecast of contingent conditions. In many federal programs there can be a wide difference of opinion between the Budget Bureau and the departments because of the lack of specific work load standards or because of the unpredictability of contingent conditions. Even for auxiliary services such as personnel, procurement, and printing and binding, which are essential for the operation of all organizations, there are often no standards, for many reasons. Even if the merit and justification of the program are recognized and the accuracy of the estimates is agreed upon, there arises a third question, namely, the sufficiency of funds to cover all programs. If the sum of approved program estimates exceeds the total which the President feels should be undertaken within the limits of existing or proposed tax levies, then cuts must be made to bring the estimates in line with that total. Total allowable monetary limits for government expenditures will depend upon the prevalent concept of the role of government in the affairs of the nation.

Authorities. The basic authority for the review of the estimates of departments and establishments by the Budget Bureau is contained in Section 207 of the Budget and Accounting Act, which provides that

... The Bureau, under such rules and regulations as the President may prescribe, shall prepare for him the Budget, the alternative Budget, and any supplemental or deficiency estimates, and to this end shall have authority to assemble, correlate, revise, reduce, or increase the estimates of the several departments or establishments.

Executive Order No. 3550, September 21, 1921, which is repeated in Section 1 of Executive Order No. 3578, November 8, 1921, constitutes the "rules and regulations" prescribed by the President and sets forth substantially the language of Section 207. In addition, these orders specify that "in increasing or decreasing the estimates of appropriations necessary for any department or estab-

lishment" the Director "shall take into consideration any proper reduction in working forces, reduction in compensation, and the elimination of unnecessary activities." This language, though somewhat broad, seems to be concerned with policies of economy and efficiency rather than with the substance of programs. The Director, under the executive orders, is also given the authority to "determine the plan as to the contents, order, and arrangement of the estimates" pursuant to Sections 213 and 216; this plan, in accordance with Section 204 (a) of the Budget and Accounting Act, is to "conform to the requirements of existing law." Though not nearly as important as the authority to reduce or increase estimates, this authority has been the basis of the elaborate budget gadgetry outlined especially in the Budget Bureau circulars calling for the annual estimates. The rather simple directives discussed above have apparently been considered a sufficient delegation of authority for the Director of the Budget, inasmuch as no further executive orders or "rules and regulations" have been issued by any President on the subject. Executive Order No. 8248, II, 2 (a) summarizes the function in these words: "to assist the President in the preparation of the Budget. . . ."

Actions. This delegated authority to "reduce or increase the estimates of the several departments or establishments" is of far-reaching importance, for in effect, it conveyed discretion to the Bureau of the Budget over the substance of departmental programs. This discretion, though exercised by the Bureau from the beginning, has been hidden by the more obvious concern with routine business matters, with budgeting downward from over-all monetary limits, and with emphasis on technical and procedural matters. Only since 1939 has the Budget Bureau been more explicitly concerned with programs and with the budget as an evaluative and administrative tool for achieving the objectives of those programs in accordance with the policies of Congress and the President.

The first Director of the Budget made a distinction between "policy," or substance of programs, and "routine business" which was not made in the Budget and Accounting Act and held that

The Bureau of the Budget is concerned only with the humbler and routine business of Government. Unlike cabinet officers, it is concerned with no question of policy, save that of economy and efficiency.¹

Under Dawes and his successors, Lord and Roop, economy was to be secured primarily through the more efficient conduct of "routine business" or housekeeping service. In relation to the standards of private industry, in 1921 there was, no doubt, much room for greater economy and efficiency in procurement, office procedure, space utilization, etc., in the federal government. Since policy matters and questions as to the substance of programs, according to Dawes, were not to be considered by the Budget Bureau, the review of the estimates was looked upon primarily as a job of budget mechanics and therefore of secondary importance. Nevertheless, the programs of the departments and establishments were submitted for review and decisions were made for the President regarding the substance of those programs. No clear distinction was made between the services necessary to sustain an organization and the program administration necessary to accomplish the objective. Much of the "economy" achieved in the name of more efficient routine business administration, therefore, was at the expense of reduced government programs. Reductions of either form, however, were in accord with the "emphasis in Washington" at the time on a restricted role for the federal government.

Accompanying the philosophy of the restricted role of government and the predominance of routine business matters during the period 1921-1933 was the practice by the President of placing arbitrary monetary limits on the total governmental expenditures and upon the expenditure of each of the departments and establishments. Instead

of judging national needs and building estimates to provide for them, a total limit was fixed in terms of total revenue or even of some smaller figure. From 1921 to 1929 advance estimates were requested from the federal agencies by the Director of the Budget only in the form of money amounts, without justification statements. The purpose of these advance estimates was to enable the President to determine a monetary limit for the expenditures of the entire executive branch. Each department was then given a top figure which its estimates were not to exceed, without special justification. This form of advance policy was purely fiscal, although substantive policy was implicit in the figure given. Neither Congress nor the departments were given an evaluative statement explaining the distribution of funds made among the departments. Since the expansion of the role of the federal government from 1933 to the present, the starting point has been major national needs and the tax structure has been adjusted upward to meet those needs.

The technical and procedural emphasis of the early budget reformers, which from the beginning has weighed heavily upon the actions of the Bureau of the Budget, has only recently begun to wane. In earlier years there was a lack of attention to the broader problems of administration, such as the basic grouping and organization of federal activities, centralization or decentralization of operations and supervision, desirable extent of delegations of authority, the role of staff agencies, and the like. Perhaps these problems could not emerge as significant until the role of the government in national economic and social affairs had been expanded and until huge administrative organizations were needed for executing that role. Though Budget Bureau circulars requesting the submission of estimates have always been addressed to the heads of departments and establishments by the Director of the Budget, they have always consisted primarily of technical and procedural matters. Since its major portions have dealt with

¹ Charles G. Dawes, *The First Year of the Budget of the United States* (New York, 1923), Preface, p. 2.

appropriation language and the schedule of objects of expenditure, the Budget of the United States has been a fiscal rather than an administrative document, and the appeal in the past has been to the accountants rather than to the administrators. Only in recent years has the attention of the Budget Bureau been directed toward the organization of the budget in terms of programs or projects. To this day, however, the basic arrangement of the bulky budget document remains unchanged.

At no time during the period of Budget Bureau operations has the call for estimates been accompanied by any statement from the President as to his policies with respect to the substance of government programs. That the trend in recent years is toward a greater concern with programs is suggested by Budget Bureau Circular No. 380, September 23, 1941, which urged departments to make special efforts to coordinate their defense and non-defense activities and to rearrange their programs so that the greatest contribution to the national defense would be made. Similarly, under Executive Order No. 9067, February 20, 1942, the Budget Bureau in Circulars No. 388 and No. 400 has established priorities among federal agencies for obtaining personnel. This action postulated an evaluation of federal activities.

Requests for Transfers of Funds. In general, requests which arise during the fiscal year under way for inter- and intra-departmental transfers between appropriations have not been reviewed by the Budget Bureau except in summary fashion. Numerous estimates of transfers are anticipated and hence are reviewed at the time the estimates for the appropriations are examined. Many transfers, however, cannot be anticipated. Section 601 of the Economy Act of 1932 (31 U. S. C. 683) authorized the departments and establishments to place orders with one another for material, supplies, equipment, work, or services and to pay by check either in advance or after the performance. These transactions did not require prior approval

by the Director of the Budget until recently, when the First Supplemental National Defense Appropriation Act, 1943, approved July 25, 1942 (Public Law 678) provided that such transfers involving the appropriations for the Office for Emergency Management, the Office of Price Administration, and the Board of Economic Warfare were to receive the prior approval of the Director of the Budget. The authority provided by Section 601 of the Economy Act of 1932 has been used abundantly by the departments and establishments. Though the Budget Bureau (Circular No. 397) has undertaken to review certain categories of these transactions, the flexibility permitted between appropriations will probably not diminish. Several of the departmental appropriations acts (e. g., the Agricultural Appropriation Act for fiscal year 1943) now give authority for transfers among the appropriations without advance approval of the Director of the Budget.

Since June, 1940, direct appropriations to the President for allocation to the departments and establishments for emergency war purposes have become increasingly important. As of January 8, 1942, such appropriations totaled \$979,500,000. Subject to broad legislative direction, the Budget Bureau, under the supervision of the President, made allocations from these funds following the review of requests from the departments and establishments. This trend toward appropriations to the President, although due largely to war conditions, may nevertheless accelerate the development of a more permanent integration in federal administration.

Determination of Apportionments and General Reserves. After requests for funds have been approved by the Budget Bureau and Congress, the departments must secure the Budget Bureau's approval of their financial plans for executing their programs during the fiscal year under way. These financial plans take the form of apportionments and reasonable reserves for contingencies for the period of the program. In its gen-

eral staff role the Budget Bureau checks the rate of expenditure periodically to determine from the progress of expenditure the extent to which the President's policies are being achieved.

Several uses may be made by the President through the Budget Bureau of the technique of establishing apportionments and reserves against appropriations made by Congress. (1) It may be used to safeguard against spending in excess of the appropriation made by Congress and thereby stimulate more effective financial planning through the fiscal year and minimize supplemental and deficiency appropriations. This use was the historical basis for the creation of the system in the Anti-Deficiency Act of 1906.

(2) Changed conditions, involving the expenditure of smaller amounts than were appropriated or expenditures at a slower rate, may be taken into account. These changes may involve the number of persons unemployed, the supplies and demands upon agricultural markets, the number of forest fires, etc.; or they may involve, as during the present war, the inability of federal agencies to secure estimated increases in personnel and construction material. (3) Certain Congressmen have charged that large reserves have been used to offset increases made by Congress in excess of the President's budget. This latter use may not be entirely a result of differences of opinion between Congress and the Administration as to the size of the job. Under our present system, expenditures for a program can be modified but not completely cut off by the Budget Bureau. The only means at the disposal of Congress for counteracting such action by the President would be to make the expenditure of all appropriations mandatory, which would probably lead to considerable waste in the administration of the federal government.

Authorities. Authority for the control of expenditures by the President and the Budget Bureau through apportionments and general reserves is conspicuous by its absence from the Budget and Accounting Act. Until 1933 the power of apportioning

appropriations and establishing general reserves to avoid deficiencies lay with the department heads under the Anti-Deficiency Act of 1906, and only reports of apportionments approved and waived were made to the Bureau of the Budget. Section 16 of Executive Order No. 6166, June 10, 1933, issued pursuant to the reorganization authority in the Act of March 3, 1933, transferred "the functions of making, waiving, and modifying apportionments of appropriations" to the Director of the Budget. Executive Order No. 6226, July 27, 1933, provided for financial reports on monthly obligations and apportionments to be made to the Secretary of the Treasury to aid him in his financing activities and also for the use of the Director of the Budget. During the period 1933-1941 instructions for apportionments, as well as for periodic financial reports, were sent to the departments and establishments in the form of Treasury circulars.

Executive Order No. 8512, August 13, 1940, as amended by Executive Order No. 9084, March 3, 1942, provides the authority for the present Budget and Treasury Regulation No. 1, in accordance with which the Director of the Budget reviews the apportionment of appropriated funds and the establishment of reserves. Actions on financial reporting and on gearing accounting systems into financial reports are taken jointly by the Director of the Budget, the Secretary of the Treasury, and the Comptroller General. The determination of apportionments and general reserves for the various governmental programs, however, is the sole responsibility of the Director of the Budget. This function is expressed in Executive Order No. 8248, II, 2 (b) in the phrase, "to supervise and control the administration of the Budget."

Actions. The Anti-Deficiency Act of 1906 (31 U.S.C. 665) specified that apportionments were to be made by each of the departments and establishments in order that subsequent deficiency and supplemental appropriations could be kept to a minimum. Such apportionments could not be waived

by the department head ". . . except upon the happening of some extraordinary emergency or unusual circumstance which could not be anticipated at the time of making such apportionment. . . ." Though he had no specific authority to apportion funds or establish reserves against the programs of the federal agencies from 1921 to 1933, the Director of the Budget was actively interested in seeing that deficiencies and supplemental appropriations were minimized, and much was done through what Dawes called "executive pressure upon the departments and establishments." During this period the Director required that apportionments, obligations and expenditures, and waivers or modifications of apportionments approved by the department heads all be reported. Still another means for keeping expenditures down was the requirement in Circular No. 77, August 11, 1922, that new work to be undertaken during the fiscal year be reported. Inasmuch as the apportionments themselves were not reviewed and passed upon by the Bureau of the Budget until 1933, few, if any, specific recommendations could be made with regard to the various departmental programs. For this reason, actions of the President to secure savings were usually made through his general powers over the executive branch and through the use of such indirect devices as the Business Organization of the Government and the various business associations in the federal field service.

The transfer of the apportionment and reserve function from the department heads to the Bureau of the Budget in 1933 did not increase the formal power of the President, but his tools for more effective supervision over expenditures were considerably improved. The apportionments for specific programs had to be approved by the same budget examiner in the Budget Bureau who approved the department's estimates; thus, the Budget Bureau had an opportunity to reduce expenditures which it did not have prior to 1933. Full advantage could not be taken of this authority immediately, how-

ever, because of the lack of staff in the Bureau.

No continuing authority exists in law or executive order for the Director of the Budget to reduce expenditures below the appropriated amounts even if conditions change so that the expenditures are no longer necessary to achieve the objectives of a program. On the other hand, Congress has not, in general, made the expenditure of appropriations mandatory upon federal administrative officers. The Budget Bureau has, nevertheless, from its beginning maintained that it should when possible reduce expenditures below the amounts appropriated by Congress. Dawes early announced that the amount to be expended by the departments was not the amount of the appropriation but the amount which was "consistent with exigencies, irrespective of the fact that Congress had authorized them to spend more." In Budget Bureau Circular No. 4, July 1, 1921, he urged the departments to place as much of their appropriations in reserve as possible, and in Section 2 of Budget Bureau Circular No. 28, September 1, 1921, he held that "it is an exploded theory that the appropriations to a given department should represent its minimum of expenditures for that year." Other circulars, such as Nos. 9, 20, 24, 55, and 57, specified that certain amounts should be added to reserves if possible.

The policies of the whole system of coordination boards for the liquidation of surplus government equipment and the purchase of supplies from 1921 to 1933 were directed toward economies in routine business administration via the expenditure phase of the budget. During the depression the same sorts of policies for reducing expenditures were followed at the direction of Congress. Circular No. 313, for example, issued pursuant to the Economy Act of 1932, forbade the filling of vacancies for positions already included in appropriations for fiscal year 1933, and was extended to cover fiscal years 1934 and 1935 in Circulars No. 326 and No. 330.

In recent years, with the expansion of the staff of the Budget Bureau, the entire system of apportionments and general reserves has been considerably revitalized. In implementing the authority transferred to the Budget Bureau in 1933 it is now possible for the Bureau to examine much more closely the administrative and financial operations of the federal agencies. Though savings and the prevention of deficiencies and supplemental appropriations still constitute the primary objectives, more and more attention is being given to changing administrative and economic necessities. A striking example of the current use of reserves against appropriations was presented by the Director of the Budget at a congressional committee hearing on the Independent Offices Appropriation Bill for fiscal year 1943. A total reserve of about \$415,000,000 was established for the entire federal budget for fiscal year 1942 as of December 31, 1941. With the advent of large economic programs, such as unemployment relief, the distribution of surplus foods, and rural rehabilitation, in which the fundamental conditions may fluctuate rather quickly, the apportionment system has been the most convenient device for insuring that funds no longer necessary will not be spent.

On some of these actions there was a considerable difference of opinion in Congress as to whether the changed economic conditions warranted such heavy reserves. To Congress it seemed as if the Budget Bureau might be using the reserves technique as a sort of modified veto power over appropriations voted by it. This objection to the establishment of reserves against appropriations raises some very fundamental issues in federal budgetary administration. Congress in making an appropriation expects to see a certain objective achieved by the federal agency to which it is made. It would also like to see the job done for less if possible. But with broad programs there are so many contingencies, biases, and imponderables that quite naturally opinions vary considerably as to the job and the amount necessary to do

it. Most students of budgeting have held that Congress should merely authorize an action in broad terms and that the President and executive branch should determine specifically the program and organization necessary to accomplish the objectives. In taking this position they also endorse the position of the Treasury in the British Government, where appropriations are authorized for expenditure only upon the subsequent approval by the Chancellor of the Exchequer. More recently, this position has been clearly expressed by J. Weldon Jones, assistant director in charge of the fiscal division of the Budget Bureau.¹

Financial Reports and Progress Reports. Financial reporting is an essential concomitant of the apportionment process. Both techniques should be used to assure the President that the objectives of his program are actually being achieved as the money is spent. Yet, entirely too much emphasis has been placed heretofore simply upon expenditures of money. Even more than the estimates, the apportionment process has been dominated by accounting forms and systems. Justifications of programs and discussions of administrative problems are treated only incidentally to the numerous rows and columns of figures. This dominance of mechanics is naturally repugnant to administrators and has constituted perhaps one of the main obstacles to a more effective use of this phase of the federal budget as an administrative tool.

Financial reports are in process of further refinement, but no reports showing indicators of progress are systematically submitted to the Budget Bureau. In recent years, however, the trend has been definitely in this direction. In Executive Order No. 8248 one of the functions of the Bureau of the Budget was stated in II, 2 (h) as

To keep the President informed of the progress of activities by agencies of the Government with respect to work proposed, work actually initiated,

¹ J. Weldon Jones, "The Execution of the Federal Budget," address given at the 26th annual meeting of the American Accounting Association, New York City, December 30, 1941, p. 5.

and work completed, together with the relative timing of work between the several agencies of the Government; all to the end that work programs of the several agencies of the Executive branch of the Government may be coordinated and that the monies appropriated by Congress may be expended in the most economical manner with the least possible overlapping and duplication of effort.

While financial reports indicate activity, they do not indicate to what extent the activity paid for is achieving the objectives of the programs. In the development of progress reports, however, good financial reports are a first and easier step. Budget-Treasury Regulation I, Revised, constitutes an excellent beginning.

Evaluation of Programs

THE over-all evaluation of programs by the President or the Bureau of the Budget tends not to be explicit because of the lack of agreement among the people and groups of the country as to what programs are to be most highly valued. In the President's annual budget messages to Congress, for example, there are broad statements of policy, but seldom any statements as to the relative value of programs. Similarly, the budget document itself *reflects* evaluative judgments, but it consists mainly of technical appropriation language and itemized statements on the various objects of expenditure, such as personnel, communications, travel, supplies, etc., rather than material justifying the proposed expenditures.

In striking the balance between the conflicting interests of special groups and the national welfare, the President's policy may take two general forms: (1) a ceiling may be placed upon all federal expenditures and allocations made to federal agencies within that over-all ceiling; or (2) the total estimates of governmental expenditures may be based primarily upon the basic needs of the nation on which there is general agreement, the agencies receiving allocations in accordance with the extent to which they serve those basic needs. Regardless of the over-all policy pursued, special groups vie with each other for the maximum fulfillment of their

interests through the federal government. The practice of establishing ceilings over expenditures to conform with total revenues anticipated from the existing tax structure prevailed from 1921 to 1933. Relative prosperity prevailed and federal taxes were even reduced. During the first years of the depression little or no attempt was made to change this policy in order to meet changing fundamental needs. In marked contrast, since 1933 total expenditures have been based upon primary needs and no hard and fast monetary limits have been placed over governmental expenditures.

During the defense and war efforts a number of special attempts outside the regular budget have been made to evaluate government programs. All of them have taken for granted that the war must be won at any cost, and have been concerned primarily with the group of activities referred to as "non-defense," "non-war," or "non-essential." Among these was the *Report on Non-Defense Expenditures for the 1942 Budget*, submitted by the Director of the Budget on October 15, 1941, to the Senate Finance Committee pursuant to the Senate Resolution of August 28, 1941, which described the possible distribution of cuts conformable to proposed over-all reductions in the federal budget of one billion, two billion, and three billion dollars. Also included among these efforts was the report entitled *Trends in Federal Expenditures from 1933-1943* (House Document 870, 1942), in answer to charges made in the reports of the Tydings Committee and the Byrd Committee that the President was not reducing non-war expenditures. Though each of these reports claims to be descriptive rather than evaluative, each of them, like the annual budget, cannot escape an *implicit* government-wide evaluation of federal programs. An evaluation of federal programs has also been implicit in the establishment of priorities among federal agencies for obtaining personnel in Budget Bureau Circular No. 388, February 26, 1942, and Circular No. 400, September 25, 1942. Though the Director of

the Budget is nominally a member of the Joint Committee for the Reduction of Non-essential Federal Expenditures and members of his staff testified before the Committee, he refrained from endorsing the recommendations of the first Report of the Joint Committee (known as the Byrd Committee Report). This report, therefore, cannot be construed as an evaluative statement endorsed by the Budget Bureau.

Reports to Congress on Legislation

Authorities. Important as authorizing legislation may be as the basis for appropriations, no specific authority for the review by the Director of the Budget of legislative proposals originating in Congress or in the departments and establishments is contained in the Budget and Accounting Act. The first budget circular with regard to legislation (No. 49, issued December 19, 1921) indicated that such authority was implicit in the Budget and Accounting Act and cited Sections 201, 203 (a) and 206. It stated that Section 206, which says that no request for appropriations shall be made to Congress or any committee thereof by any officer of a department unless requested by either House of Congress, relates only to estimates. (A broader interpretation of this section was made by Witte.¹) However, the circular goes on to say:

It is necessary for a full compliance with its spirit that all requests for recommendations for legislation, the effect of which would be to create a charge upon the public treasury or commit the Government to obligations which would later require appropriations to meet them, should be first submitted to the President before being presented to Congress.

Interestingly enough, no executive order has ever delegated any authority to the Director of the Budget regarding the review of proposed legislation. Executive Order No. 8248, II, 2 (e), however, summarized this function of the Bureau of the Budget in the phrase "to assist the President by clearing

and coordinating departmental advice on proposed legislation and by making recommendations as to Presidential action on legislative enactments, in accordance with past practice." The current basic authority for the review of legislative proposals lies in Budget Bureau Circular No. 390, June 1, 1942, which constitutes the latest revision of Circular No. 49. Circular No. 390 provides that before reports or oral testimony on all types of pending or proposed legislation is presented to Congress, the relationship of the legislation to the program of the President must be ascertained from the Budget Bureau. There is no specific prohibition upon the departments and establishments against reporting to Congress legislation initiated by them which is not in accord with the program of the President.

Actions. Budget Bureau Circular No. 49, December 19, 1921, which constituted the original basic authority of the Director of the Budget for his review of proposed legislation, was concerned broadly with two types of legislation: (1) legislation which originated in Congress and was referred to the departments for technical and advisory review; and (2) legislation which originated in the departments and was suggested to Congress for consideration and passage. Furthermore, it limited the legislation requiring submission to that involving "a charge upon the public treasury." Later, Budget Circular No. 273, issued in 1929, exempted private relief measures from review by the Budget Bureau.

In providing that reports to Congress be made by the heads of departments and establishments, the procedure with regard to legislation has been in marked contrast to the handling of the budget estimates. Section 206 forbids the submission of estimates to Congress by federal agencies. In the case of legislation, the Budget Bureau's recommendation is attached to the report submitted to Congress by the departments. Presumably the departments may make such reports as they see fit. As a matter of fact, however, the departments have tended to

¹ E. E. Witte, "The Preparation of Proposed Legislative Measures by Administrative Departments," Report to the President's Committee on Administrative Management, No. V (Washington, 1937), p. 53.

shape their own reports in terms of the advice received from the Bureau of the Budget. Thus, if the proposed legislation were not in accord with the financial program of the President, the chances were that a favorable report would not be made.

In 1934 a distinction developed between the "financial program" and the "policy program" of the President. The National Emergency Council Memorandum of December 13, 1934, required that proposed legislation other than that involving appropriations was to be cleared only through the National Emergency Council for approval of the President. Such legislation was then reported to Congress without the review of the Budget Bureau. There was some difficulty in determining what legislation involved appropriations, and it was alleged that several departments had made favorable reports to Congress on such legislation without submitting them first to the Budget Bureau. In fact, Witte's study of the legislation reported to the 74th Congress revealed that the most important legislative proposals were not submitted either to the Budget Bureau or to the National Emergency Council. Consequently, the National Emergency Council Memorandum of April 23, 1935, was issued to reaffirm that the requirements of Budget Bureau Circular No. 49 as amended by No. 273 were still in effect, and that reports on all legislation creating a charge upon the public treasury had to be submitted to the Budget Bureau.

Toward the end of 1935 the situation was somewhat clarified in Budget Bureau Circular No. 336, December 21, 1935, which specified that in accordance with an agreement reached at the meeting of December 17, 1935, of the National Emergency Council, *all* reports on proposed legislation were to be submitted to the Budget Bureau. They were to be reviewed by the Budget Bureau to determine their relation to the "financial program of the President," and they were to be reviewed by the National Emergency Council for their relation to the "policy program of the President." If both policy and

finance were involved in the proposed legislation, the reports were to be reviewed jointly by the Bureau and the Council. In this circular also for the first time provision was made for the clearance of prepared testimony on pending or proposed legislation to be presented to congressional committees by the federal agencies.

By 1937 the joint arrangement with the National Emergency Council was discontinued. The President's Committee on Administrative Management had recommended that the Budget Bureau take over the National Emergency Council duties with regard to legislation.¹ Budget Bureau Circular No. 344, November 15, 1937, specified that all legislation, except private relief legislation, was to be reviewed by the Bureau of the Budget. There was no longer any distinction between the financial and the policy programs of the President. Recommendations made by department heads to Congress following clearance with the Budget Bureau were to specify simply the relation of the proposed legislation to the "program of the President." The National Emergency Council itself was abolished in Reorganization Plan No. II, effective July 1, 1939. If there had been any doubt as to the scope of the reviewing function of the Budget Bureau prior to the depression, there was none after 1937. By 1942 there were no longer any exemptions from Budget Bureau review of proposed legislation. Budget Bureau Circular No. 390, June 1, 1942, amended the procedure on the submission of proposed legislation for review to include private relief legislation. In order to coordinate the review by the budget examiners of the large volume of legislation, a division of legislative reference was included in the reorganization of the Budget Bureau in 1939.

Federal Reorganizations

Authority to Undertake and to Study Reorganizations. Neither the President nor the Director of the Budget has had from Con-

¹ *Report of the President's Committee on Administrative Management* (Washington, 1937), p. 20.

gress any continuing authority to undertake substantial reorganizations of the federal government, either with respect to auxiliary services or with respect to program execution. The Budget and Accounting Act may be said to provide implicit authority and at least the opportunity for making such changes in the organizations of federal agencies within the framework of congressional legislation as may be achieved through the approval of budget estimates. From time to time acts have been passed by Congress authorizing the President for specified periods of time to undertake certain types of reorganization. In the last decade the most important of these have been the reorganization authority of the Economy Act of 1932 as amended by the acts of March, 1933, the Reorganization Act of 1939, and the War Powers Act of 1941. The authorities in these acts have been clearly given to the President, and no formal delegations have been made to the Bureau of the Budget by executive order. The reorganizations undertaken pursuant to these acts have been expressed in executive orders or reorganization plans having the equivalent force of executive orders.

The Budget and Accounting Act, however, does provide in Section 209 basic authority for the Bureau of the Budget to undertake reorganization studies of the departments and establishments at the direction of the President to enable him to determine what changes should be made in (1) the existing organization, activities, and methods of business of the departments and establishments, (2) the appropriations thereof, (3) the assignment of particular activities to particular services, and (4) the regrouping of services. The results of these studies are to be reported to the President, who may in turn transmit such reports to Congress with his recommendations. Section 11 of Executive Order No. 3578, November 8, 1921, delegated authority in reorganization matters to the Director of the Budget, but restricted it to matters of "routine business." In later years Section 209 has

been given the broader interpretation, as for example in the Report of the President's Committee on Administrative Management and in Executive Order No. 8248.

Activity of the Budget Bureau in Administrative Planning. From 1921 to 1933 the activity of the Budget Bureau with respect to both studies of reorganizations and reorganizations themselves centered about matters of routine business or auxiliary service. Just as the coordinating boards became the instrument of the Budget Bureau for the supervision of auxiliary services, so too they undertook studies of the organization of such services. Each of the boards was made up of representatives from each of the departments and establishments engaged in the particular business activity for which the board was established. The Inter-Departmental Board on Simplified Office Procedure, for example, had a membership of persons concerned with office management. Important problems were studied, and each representative was expected to make the analysis for his agency. The results were then discussed at the meetings of the board, from which there emerged a consensus as to the most efficient organization, form, or procedure for executing various auxiliary service transactions. About twenty-eight Budget Bureau circulars were issued as the result of the work of this one board alone, instructing the departments and establishments in the use of more efficient and uniform forms and procedures. The members of the several boards were also joined loosely in the Business Organization of the Government and similar organizations in the field services. Since their own representatives had participated in the discussions of the changes and were themselves most directly affected, the agencies readily accepted the recommendations of the boards.

The work of the coordinating boards duplicated to a certain extent the work of the Bureau of Efficiency, which had been formally established in 1916. This condition was noted from time to time both by Congress and by students of administration. By

Executive Order No. 6166, June 10, 1933, both the coordinating boards and the Bureau of Efficiency were abolished. Inasmuch as the Budget Bureau already had sufficient authority for the making of administrative studies under the Budget and Accounting Act, no transfer of functions was necessary.

During the period from 1933 to 1940 the Budget Bureau had the sole authority for engaging in administrative planning and research; yet for lack of staff little could be done. Although it is not always viewed in this light, the structure of coordinating boards, sometimes called the Coordinating Service, was for all practical purposes a part of the Budget Bureau from 1921 to 1933. The total staff detailed from the departments and establishments by 1932 included 112 persons at a cost of \$417,000 per year, stationed both in Washington and in the field.¹ After 1933 the Budget Bureau, with a staff of about 35 to 40, was left to handle both the budget and administrative research at a time when the federal government was undergoing an unprecedented expansion in organization. So acute had the problem of reorganization become that a committee of private persons—the President's Committee on Administrative Management—was designated by the President in 1936 to study federal reorganization. In addition, a congressional committee also engaged the Brookings Institution to make a study of federal organization.

Though no formal delegations were made to the Budget Bureau by the President pursuant to the reorganization acts of 1933, 1939, and 1941, it is safe to assume that the Budget Bureau, though quite undermanned, played an active role in most of these reorganizations. Of the entire President's office, only the budget examiners of the Budget Bureau had any sort of detailed knowledge of federal organization. They had secured this knowledge through continuous review of the departmental budgets. No other office attached to the President or

anywhere else in the federal government was in a better position to make recommendations. The primary disadvantage of the Budget Bureau until very recently had been the lack of a staff which could specialize on reorganization problems and make long-range studies of federal organization. This need has been fulfilled by the development of the Division of Administrative Management since 1939.

Important as are the Congressional acts authorizing the President to reorganize the federal service, the many opportunities to achieve more efficient organization through the review of the budget must not be overlooked. The congressional reorganization acts, subject to their own limitations, merely repeal the framework of legislation which must ordinarily be observed by the President. The several large federal organizations which exist pursuant only to board legislative acts may be examined by the Budget Bureau as a part of the review of their financial requirements. (This review of methods and structure incidental to the regular review of budget estimates supplements the specific and intensive studies of government structure and individual agencies by the Division of Administrative Management.) In the course of reviewing financial requirements the Bureau inevitably is confronted with questions of organization as well as program and frequently in the course of the give and take of the review process a more efficient and economical organization may be proposed and agreed on, and estimates may be approved in terms of such an organization. Though the agreements are informal, they may involve the regrouping of services among bureaus, the rearrangement of a bureau's field service, or the centralization or decentralization of certain functions. This type of examination may affect the operations of organizations having thousands of employees and spending millions of dollars. In every action of this sort the Budget Bureau must execute its government-wide supervisory responsibilities in harmony with the directions from the Presi-

¹ House Hearings on Treasury Appropriation Bill for fiscal year 1934, November 30, 1932, pp. 566-570.

dent to the department or bureau head for the execution of the particular program. At the same time, the departments and bureaus must regard the Budget Bureau as the President's primary agent for holding them to their own responsibilities.

Supervision of Auxiliary Services

Authorities. No mention is made either in the Budget and Accounting Act or in succeeding legislation of the responsibilities of the Budget Bureau for auxiliary services. The Budget and Accounting Act contained the basic authority for the review of both work programs and business administration. Similarly, the Anti-Deficiency Act of 1906 and Section 16 of Executive Order No. 6166, issued pursuant to the Act of March 3, 1933, do not distinguish between matters of "business administration" and the "substance" of programs. Executive Order No. 3578 and the Budget Bureau circulars establishing the coordinating boards, however, stressed matters of business administration, largely owing to the views of General Dawes and his successors, General Lord and Colonel Roop.

Actions. The Budget Bureau has never performed auxiliary services in the past and does not do so at the present time except for its own internal organization. That such central service may be performed by an agency at the government-wide level was shown by the manner in which the Treasury Department took over the direct accounting job for the Emergency Relief Program of 1935 and subsequent years. However, the Budget Bureau is much too far removed from the operating line agencies to be of direct service to them in maintaining their organizations. Though it does not perform auxiliary services, it has practiced in varying degrees throughout its history over-all supervision of many such services.

During the period from 1921 to 1933, the Bureau under the impetus of General Dawes engaged in perhaps the most comprehensive supervision of auxiliary service it has ever undertaken. Procurement and the liquidation of surplus supplies were Dawes's chief

concern. After World War I huge inventories, especially of the Army, the Navy, and the Shipping Board, were left as surpluses. To ensure the effective disposition of these surpluses among federal establishments, a chief coordinator of general supplies was established by Budget Bureau Circular No. 15, July 27, 1921, to head up the General Supply Committee, then already operating in the Treasury Department. Executive Order No. 3578, November 8, 1921, conferred authority to the Chief Coordinator over all of the coordinating boards, subject only to the general supervision of the Director of the Budget. Within the office of the General Supply Committee there were established the Federal Purchasing Board, the Federal Liquidation Board, and a Board of Contracts and Adjustments. The organization of the coordinating boards dealing with real estate, motor transport, traffic, personnel, and office procedure extended far beyond procurement matters.

A number of other auxiliary service matters, supervised by the Bureau of the Budget but not handled through the coordinating boards, included the Permanent Conference on Printing, created in specific legislative authority in the Resolution of May 11, 1922; establishment of standard government travel regulations; and negotiation of reduced hotel rates for traveling government employees throughout the country. In addition, certain miscellaneous activities were handled, such as reporting the number of telephone instruments in use, directing federal agencies to use the army radio network to save communication expenses, and determining standard allowances for living quarters.

After the abolition of the coordinating boards and the transfer of all procurement functions to the newly established procurement division in the Treasury Department in 1933, the Budget Bureau's concern with auxiliary services until 1940 was mainly with personnel matters. It was the principal agent of the President in executing the provisions of the Economy Act of June 30, 1932,

extended in the Act of March 3, 1933, which involved for the most part a great variety of personnel matters. For example, employees were to be furloughed for one month during the fiscal year; retirement pay was reduced; promotions were suspended; vacancies occurring during the fiscal year were not to be filled without individual Presidential approval; retirement was compulsory in certain cases; overtime pay was restricted; and the like. With the reversal of these policies in the era of numerous emergency agencies after 1933, the Budget Bureau participated in the establishment of a register for the transfer of emergency employees and for the re-employment of persons unemployed because of reductions in force and later because of the reorganizations under the Reorganization Act of 1939 (see Budget Bureau Circulars No. 332, 334, and 349). During this time certain standard activities with respect to personnel were continued, such as the standardization of allowances for quarters.

After 1940 the Budget Bureau continued to supervise numerous personnel matters, such as the establishing of uniform hours of duty, the staggering of working hours, and directions to the departments and establishments to furnish their employees' income statistics to the states. An elaborate study was undertaken of the maximum allowances of furniture and furnishings to be provided for government-owned personnel quarters. At the request of the House Appropriations Committee the Budget Bureau studied and promulgated instructions on a uniform system of salary advancement. Moreover, pursuant to the authority conveyed directly to it in the recent pay-raise bill (Public Law 821, 77th Cong.) the Budget Bureau in Circular No. 408, December 24, 1942, requested from federal agencies a detailed report on the effect of the pay raises.

A variety of other auxiliary services of the federal government were examined in considerable detail by the Division of Administrative Management, including specifications on printing and binding and the sav-

ing of paper; instructions for the standardization of identification of government-owned motor vehicles and for the conservation of motor oil used in government vehicles, for the full utilization of typewriters, and for the survey of surplus printing and duplicating equipment; and an extensive survey on warehousing facilities in cooperation with the procurement division of the Treasury Department. The federal agencies were also instructed to cooperate fully with the scrap rubber campaign. Traffic, freight, and travel have not escaped examination by the Budget Bureau. It established a central freight traffic service in the procurement division of the Treasury Department and instructed the departments and establishments to use this service for certain types of shipments.

Advocative Role of the Bureau

THE Budget and Accounting Act clearly placed the responsibility of presenting the national budget to Congress upon the President. According to its terms he was to be assisted by the Bureau of the Budget. During the past twenty-two years this presentation has consisted primarily of the formal transmission of the budget document accompanied by the budget message. The great responsibility of explaining and justifying the estimates for the many programs has been left to the departments and establishments. Neither the Director of the Budget nor any of his budget examiners responsible for the review of programs generally appears before the congressional appropriations committees to defend the estimates finally approved and presented to Congress by the President. The Directors of the Bureau in general have not made it a practice to discuss with the appropriations committees the general policies followed by the Budget Bureau in reviewing the estimates.

This manner of acting was not established by Dawes, for not only did he submit to Congress a detailed report of his policies, but he later appeared in person to discuss his policies before the House Appropriations

Committee. Furthermore, he felt that the close cooperation of the appropriations committees with the Budget Bureau was "indispensable to its proper functioning," although he was disturbed about the members who used and misused the budget solely for political objectives. Until rather recently, however, the Director as a rule has not appeared even to explain the estimates for the administration of his own bureau; as long as the Bureau was maintained as a small model of economy, this was hardly necessary. When the expansion of the Budget Bureau was proposed in 1938, however, Acting Director Bell did appear before the House Appropriations Committee. The discussion centered about the Budget Bureau itself and not about the policies or evaluation process followed in reviewing the budget. Under the present Director of the Budget much more extensive hearings have been held by the appropriations committees. The considerable reorganization and expansion of the Bureau have given the appropriations committees an occasion for questioning the Director more closely on its objectives and procedures in the review of the budgets of the federal agencies. As yet, however, insufficient information has been presented on this point at the hearings; members of the Budget Bureau do not appear regularly at them with the departments and establishments to explain the basis of the Bureau's decisions.

Because of the traditional policy followed by the Budget Bureau of not informing the departments as to the basis of its decisions on program policy matters, Congress has at times been irked. The departmental representatives have tended to respond readily to questions asked as to what estimates they presented to the Budget Bureau and they have also admitted that they did not know on what basis the estimates were revised by the Budget Bureau.¹ Thus, in spite of Section 206, the departments actually do submit

estimates at the request of Congress which have not been approved by the Budget Bureau or the President. It would seem that if the President is to secure more unified control over the budgets and the administrative management of federal departments and establishments, the Budget Bureau as his agency should defend the estimates in the budget which he submits to Congress each January.

The Bureau in Depression and War

DEPRESSIONS and wars always put tremendous strain on governmental organizations. The Bureau of the Budget was not yet in existence during the crisis of World War I, but many of its early activities centered about the liquidation of war inventories. From 1921 to 1933 the organization of the Budget Bureau had been shaped to reflect the prevailing political views which favored restricted governmental activity. Since the emphasis of Dawes and his successors was upon supervision of business administration, little was done toward the objectives of general staff action, namely, the coordination, supervision, and control of the substantive programs of the departments and establishments. The result of these forces was a Budget Bureau organization with an average staff of about forty, aided by the Coordinating Service with a staff of about forty-five. It is no wonder, then, that the huge programs after 1933 overwhelmed it, for the traditions of twelve years could not easily be changed.

Macmahon, Millett, and Ogden in *The Administration of Federal Work Relief* conclude that the Budget Bureau in 1935 failed to realize its inherent possibilities in connection with the administration of the work relief program and that it played only a modest role, calling attention to interagency relationships but not supervising them. They offer two explanations for the condition: (1) that the Bureau was understaffed, and (2) that it was "too intimately connected with the Treasury Department in organization and point of view." During this period

¹E.g., House Hearings on Agricultural Appropriation Bill for fiscal year 1941, pp. 237, 400, 412-416, 418-419, 785-788, etc.

the Works Progress Administration emerged as the primary organization in the administration and budgetary supervision of the work relief program. On a similar pattern, in the Department of Agriculture an Emergency Projects Committee, with a special administrative staff, was established apart from the Office of Budget and Finance to handle WPA.

Not until 1938, after the critical reports by the President's Committee and the Byrd Committee (the Brookings Institution Survey), was the Budget Bureau reorganized and its emphasis changed to give the review of programs primary importance. Matters of business administration, however, still play an important role, as pointed out in the discussion of "auxiliary services." With the arrival of World War II in 1939, unemployment began to be absorbed by a growing defense program. When WPA was no longer a focal point of policy differences and lost its power, both review of the estimates and of policy were reabsorbed by the Budget Bureau. The country was moving from one crisis to another. As the new crisis grew, however, the Budget Bureau continued to expand in accordance with the reorganization begun in 1938. It was also working from its new location immediately within the Executive Office of the President.

By the time the defense crisis burst into war, the Budget Bureau was in a much stronger general staff position than when the depression struck the nation. Such strength was essential to aid the President in supervising the numerous new war agencies, which heralded an unprecedented degree of government activity. Not only have the War and Navy departments undergone tremendous expansion, but the domestic economy has been redirected to supply the armies and navies and air forces of the Allies with men and materials. Total war has necessitated controlled distribution of manpower and materials, price ceilings, rationing, industrial and civilian mobilization, strengthened South American relations, feeding the Allies, and the like. Organizations such as the War

Manpower Commission, the War Production Board, the Office of Price Administration, the Office of Civilian Defense, the Lend-Lease Administration, and the Office of the Coordinator of Inter-American Affairs have been delegated vast authorities from the war powers of the President for accomplishing their objectives. It might seem that, as in 1933, the President might lose considerable control. With a strengthened Budget Bureau, however, he has had greater control than ever before and better assurance that his policies are being executed. The Bureau's effectiveness as a tool of administrative management is necessarily not as great in connection with programs in which policies are very unsettled.

Public Works Programming. The last depression and the present war have induced more general acceptance of the importance of the advance planning of public works. Use of federal public works to stabilize the business cycle was not a budgetary concern from 1921 to 1931. With the country facing a huge unemployment situation, the Employment Stabilization Act of 1931 began a trend in the use of public works to reduce unemployment and raise the economy from the low phase of the cycle. The federal works programs from 1933 to 1940 had to be undertaken without sufficient time for the evaluation of the usefulness of the projects, providing employment being the immediate need. This situation revealed the necessity for advance planning of public works. The trend culminated with the transfer in 1939 of the authorities under the Employment Stabilization Act of 1931 to the National Resources Planning Board and with the issuance in 1940 of Executive Order No. 8455 directing a joint execution of public works programming by the National Resources Planning Board and the Budget Bureau. The regulations under this executive order have provided for the integration of the planning and budgeting of federal public works construction, thus removing one of the major criticisms directed at the employment stabilization program during the pe-

riod from 1931 to 1940. In the revamped program the National Resources Planning Board engages in the long-range planning aspects, but these plans are so drawn that budget estimates can be derived more readily from them. The Budget Bureau has specific responsibility for public works in the current fiscal year and for some two or three years beyond. The opportunity for intimate contact between the National Resources Planning Board and the Budget Bureau in this program has been noted by Charles E. Merriam¹ and A. N. Holcombe,² and the principles governing their respective roles have been endorsed by such men as Donald C. Stone.³ The growing feeling that the economic dislocations caused by the present war will necessitate an interim program of public works after the war has given stronger support to a closer integration of advance planning and budgeting in the future.

Organization of the Bureau

Physical Location. Section 207 of the Budget and Accounting Act established the Budget Bureau as an agency to assist the President, and it receives its primary meaning in that relationship. As discussed above, in administrative supervision and coordination of federal administration the Budget Bureau is the most significant staff agency of the President. Nevertheless, circumstances surrounding the passage of the Budget and Accounting Act caused it to be located physically in the Treasury Department although not responsible administratively to the Secretary of the Treasury. Perhaps the most important result of its association with the Treasury Department was the interchange of personnel. Daniel W. Bell, now Under Secretary of the Treasury Department, was Acting Director of the Bureau of the Budget from 1934 to 1939, and the "Treasury viewpoint" which he

brought with him to this job drew both approval and criticism—approval from A. E. Buck and criticism from Macmahon, Millett, and Ogden. Although from the very beginning the special relation of the Director of the Budget to the President was recognized by the Congress and the Treasury Department, the Budget Bureau was not transferred to the Executive Office of the President until 1939, in Reorganization Plan No. I.

Relation to the Treasury Department. With respect to the handling of the Budget, the relation of the Director of the Budget to the Secretary of the Treasury and of each to the President, though not defined in the Budget and Accounting Act, was early clarified in Executive Order No. 3578, November 8, 1921. The former was to deal with the expenditure side of the Budget, involving the administration of the federal programs, whereas the latter was to be responsible for the revenue side, involving ways and means of financing the cost of such programs. Both officers were ordered to cooperate fully and to transmit their respective estimates concurrently to the President. Presumably, only the President was to decide whether taxes or government programs were to be increased or decreased to balance the budget. This divided delegation meant that though the Director of the Budget presented a consolidated statement of estimated revenue and expenditure to the President in order that the President might formulate the "business policy of the Government," actually he was to be responsible only for the expenditure side of the Budget. Executive Order No. 8242, II, 2 (a) indicates, however, that one of the functions of the Budget Bureau is "to assist the President in the . . . formulation of the fiscal program of the Government." This language gives support to the idea that the Director of the Budget must consider not only the expenditure but the revenue side of the budget. The Secretary of the Treasury is in charge of the financing activities of the government, but he, the Director of the Budget, and others advise the

¹ Charles E. Merriam, "The National Resources Board," 1 *Public Administration Review* (May, 1941).

² Holcombe, *op. cit.*, pp. 229-230.

³ Donald C. Stone, "Planning as an Administrative Process," address to the National Conference on Planning, May 12, 1941, p. 10.

President on the determination of fiscal policy.

Divisions of the Bureau. The Bureau of the Budget carries on its work through five principal divisions, which exchange information and work in close cooperation with one another. The largest of these divisions is the Estimates Division. This division carries on a major share of what this article has called the "general staff" function of the Bureau, by its review of estimates and its determination of apportionments and general reserves. In the period from 1921 to 1938 the Estimates Division was very small and it simply compiled the budget document; the budget examiners were not then in this division, and the present "group heads" were called "assistants to the director," and were immediately responsible to him. At present each of some half dozen group heads within the division are responsible for reviewing the budgets of a particular group of related federal agencies. Assisted by their principal examiners they are in continuous contact with the departments and establishments in Washington and the field.

The other four divisions work in close cooperation with the Estimates Division. The Legislative Reference Division coordinates the review of proposed legislation by the Budget Bureau, the Estimates Division being its principal source of advice as to the effect of legislation upon the program of the President, since its staff has the most detailed knowledge of the federal programs and organizations. The Division of Administrative Management is now primarily responsible for studies in administration and the central supervision of "business administration," replacing in a stronger way the old Coordinating Service. The Fiscal Division now as in the past handles the huge mechanical job of compiling the budget document. More recently it has been undertaking long-range studies of public finance problems, as, for example, the coordination of federal, state, and local financing policies. The Division of Statistical Standards, formerly the Central Statistical Board, coordi-

nates the statistical work of the departments and establishments, and provides a specialized government-wide advisory service to the director of the Budget on the statistical phase of all government programs. It had an early counterpart among the coordinating boards in the Federal Statistics Board. The cooperation of these divisions on all the budgetary activities described above enables the Bureau of the Budget to play a highly effective role in making recommendations and decisions affecting the substance and administration of federal programs.

Summary and Conclusions

VIEWING the past history of the Bureau of the Budget, one is impressed with what Macmahon and Millett in *Federal Administrators* called the "fulfillment of tendency" in federal organization. The stress of the early budget directors upon the "advisory staff" and "auxiliary service" features of the role of the Budget Bureau occurred simultaneously with a great retrenchment in federal activities after World War I. Its small size elicited no criticism as it proceeded to establish the mechanical foundation for the federal budget, and as dollar-a-year men from private business and coordinating boards assisted in putting the routine business of the federal government on an efficient basis. The depression of the early thirties, however, made extensive action by the federal government imperative. As federal organizations multiplied in complexity and size, the need of the President for general staff assistance for supervision and coordination grew, and created a "tendency" in this direction. Yet it was not until 1938 that this tendency began to be fulfilled by changes in the organization of the Budget Bureau. The need for the Budget Bureau to assume more responsibilities and consequently to have more personnel became evident and was a major point of comment in the Brownlow and Brookings reports. By 1943 this need had been met by a more than ten-fold increase in the staff over the average size of about forty in 1921-1938.

Though the Budget Bureau is now emerging as a general staff organization in response to the needs of the President for assistance in managing the sprawling federal governmental structure, its general staff role is not yet generally recognized. As Macmahon and Millett have said, "The system must be recognized in order to be avowed; it must be avowed in order to be perfected." What, then, is this general staff role of the Budget Bureau which must be recognized, avowed, and perfected?

The closest approximation to this concept developed by students of administration is the "general staff" concept of Urwick, according to which general staff officers not only assist the executive in coordination and command, but are actually supposed to take over much of the detail pursuant to broad decisions of policy by their chief, so as to free him for the more personal aspects of leadership and to allow him to evaluate the key men in his organization personally. Furthermore, general staff officers are responsible for the integration of the technical and administrative services, i.e., auxiliary services, as well as such staff functions as planning, with the line functions. This concept obviously cannot be applied as strictly to the federal government as to a large military organization, from which Urwick derived it. Yet the Director of the Budget approaches Urwick's concept of the general staff officer in so far as he supervises and coordinates under broad delegations of authority from the President.

It needs to be recognized and avowed in federal administration that there must be two kinds of delegation along the lines of authority and responsibility, mutually recognized by the federal agencies and by the Budget Bureau: (1) delegations to the departments and establishments for the execution of programs; (2) delegations of authorities to supervise, to coordinate, and to see that the delegations to the departments and establishments are properly executed. About the first type of delegation there is general agreement by students of administration

and officials. In the case of the second, practice has again preceded theory in that agencies such as the Budget Bureau have of necessity assumed responsibility for supervision and coordination. Most students of administration, however, regard this authority as "inherent in the person of the executive" himself and not to be delegated to any one. Moreover, federal departments and establishments argue against supervision by the Budget Bureau on the ground that the authorities to carry out their program have been delegated by the President to them and not to the Budget Bureau; therefore, the Budget Bureau is not to "interfere." But for the executive, as Rowland Egger has indicated, "power is not enough." The executive must have the means for assuring himself that the authorities which he has delegated to the departments and establishments are properly executed.

The most effective tool for this purpose is the budget, and in federal administration the principal agency for the President in budgeting is the Budget Bureau. Through reviewing the requests of federal agencies for funds, the Budget Bureau has been able to evaluate the programs proposed for carrying out the objectives of congressional acts and the policies of the President. Not only has it been able to review critically the estimates in support of programs, but it has also had the opportunity to eliminate conflict and duplication, to check performance, and, if necessary, to recommend to the President revisions of certain delegations of authority to the federal establishments. Moreover, through the apportionment system, as economic and other conditions changed during the fiscal year, it has "saved" or placed in general reserve funds no longer necessary. Under Executive Order No. 8455 the advance planning of public works is being integrated with the line function through budgeting. The Bureau has also aided the President in handling the activities closely related to budgeting, namely, the review of pending or proposed legislation and the function of administrative plan-

ning. Moreover, it has assumed responsibility for the standardization of auxiliary services and the integration of such services with line functions.

The present war has demanded greater activity from the federal government than ever before. The President, consequently, has had to assume much greater responsibilities. To undertake the immense programs gearing the nation to total war he has had to delegate extensively to the federal departments and establishments. After these numerous broad delegations of authority have been made, how is the President to be assured that the programs are properly administered, if not through some agency such as the Budget Bureau? The "span of control" principle obviates direct, continuous, and detailed reporting by all of these establishments to the President. It would seem

that if the vast federal administrative structure is to be held together, the Budget Bureau must play a strong role, using the federal budget as an instrument of administrative management. The Director of the Budget, as general staff officer, not only must assist the President in the coordination and management of the federal government, but must also be sympathetic with the objectives of the many programs. In turn, those charged by the President with important programs must not lose sight of their responsibilities to him and their integration with, rather than independence from, the rest of the federal administrative organization. To a large extent the ultimate effectiveness of the President in administrative management depends upon the success of the Budget Bureau as a general staff agency in his Executive Office.

